Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

August 2016: budgetary deficit of $2.7 billion

There was a budgetary deficit of $2.7 billion in August 2016, compared to a deficit of $2.3 billion in August 2015. Revenues increased by $0.7 billion, or 3.2 per cent, reflecting increases in corporate income tax revenues, excise taxes and duties and other revenues. Program expenses increased by $1.4 billion, or 6.1 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.3 billion, or 11.7 per cent, reflecting lower costs associated with bond buyback operations as well as a lower average effective interest rate on the stock of interest-bearing debt.

April to August 2016: budgetary deficit of $5.4 billion

For the April to August 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $5.4 billion, compared to a surplus of $2.8 billion reported in the same period of 2015–16. Revenues were down $1.6 billion, or 1.3 per cent, reflecting decreases in other revenues and excise taxes and duties, partly offset by an increase in total income tax revenues and Employment Insurance (EI) premium revenues. Program expenses were up $7.8 billion, or 7.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.1 billion, or 9.5 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

August 2016

There was a budgetary deficit of $2.7 billion in August 2016, compared to a deficit of $2.3 billion in August 2015.

Revenues totalled $22.9 billion in August 2016, up $0.7 billion from August 2015.

- Personal income tax revenues were down $0.7 billion, or 5.9 per cent.
- Corporate income tax revenues were up $0.8 billion, or 37.1 per cent.
- Non-resident income tax revenues were down $17 million, or 3.0 per cent.
- Excise taxes and duties were up $0.2 billion, or 5.5 per cent, driven mainly by a $0.2-billion, or 38.6-per-cent, increase in energy taxes. Goods and Services Tax (GST) revenues were up $40 million, customs import duties were up $18 million, and other excise taxes and duties were down $9 million.
- EI premium revenues were up $30 million, or 1.9 per cent, reflecting growth in earnings.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.4 billion, or 18.7 per cent.

Program expenses were $23.4 billion in August 2016, up $1.4 billion, or 6.1 per cent, from August 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.8 billion, or 12.0 per cent. Elderly benefits increased by $0.2 billion, or 6.6 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.2 billion, or 8.7 per cent. Children's benefits increased by $0.4 billion, or 29.6 per cent, reflecting the new Canada Child Benefit, which has replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.3 billion, or 6.0 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $0.2 billion, or 2.0 per cent. Within direct program expenses:
  - Transfer payments increased by $0.1 billion, or 5.0 per cent.
  - Other direct program expenses increased by $0.1 billion, or 1.1 per cent.

Public debt charges decreased by $0.3 billion, or 11.7 per cent, reflecting lower expenses from bond buyback operations as well as a lower average effective interest rate on the stock of interest-bearing debt.

April to August 2016

For the April to August 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of $5.4 billion, compared to a surplus of $2.8 billion reported in the same period of 2015–16.

Revenues decreased by $1.6 billion, or 1.3 per cent, to $117.8 billion.

- Personal income tax revenues were up $0.2 billion, or 0.3 per cent.
- Corporate income tax revenues were up $0.3 billion, or 1.7 per cent.
- Non-resident income tax revenues were down $0.1 billion, or 3.0 per cent.
- Excise taxes and duties were down $0.6 billion, or 2.9 per cent. GST revenues were down $0.5 billion, or 3.5 per cent. Energy taxes were down $0.1 billion, customs import duties were up $10 million, and other excise taxes and duties were down $43 million.
- EI premium revenues were up $0.2 billion, or 1.7 per cent, reflecting growth in earnings.
- Other revenues were down $1.5 billion, or 11.0 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, offset in part by growth in other components in the current year, including interest and penalties revenues.

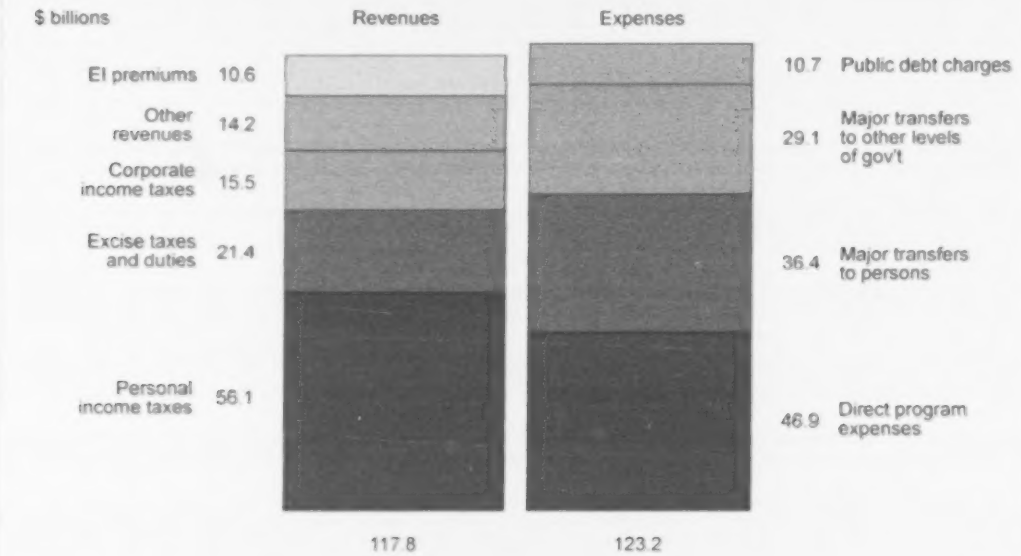
For the April to August 2016 period, program expenses were $112.5 billion, up $7.8 billion, or 7.5 per cent, from the same period the previous year.

- Major transfers to persons were up $2.3 billion, or 6.7 per cent. Elderly benefits increased by $0.9 billion, or 5.0 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.5 billion, or 5.8 per cent. Children's benefits were up $0.9 billion, or 12.1 per cent, largely reflecting the new Canada Child Benefit, which has replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government were up $1.4 billion, or 5.0 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $4.1 billion, or 9.7 per cent. Within direct program expenses:
  - Transfer payments increased by $2.1 billion, or 18.0 per cent, reflecting an increase in transfers for disaster assistance and year-over-year differences in the timing of the transfers.

- Other direct program expenses increased by $2.0 billion, or 6.5 per cent, due in large part to an increase in pension and benefit costs based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges decreased by $1.1 billion, or 9.5 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to August 2016)



Note: Totals may not add due to rounding.

Financial requirement of $19.1 billion for April to August 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $5.4 billion and a requirement of $13.7 billion from non-budgetary transactions, there was a financial requirement of $19.1 billion for the April to August 2016 period, compared to a financial requirement of $13.5 billion for the same period the previous year.

Net financing activities up $24.7 billion

The Government financed this financial requirement of $19.1 billion and increased cash balances by $5.6 billion by increasing unmatured debt by $24.7 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of August 2016 stood at $43.4 billion, up $6.7 billion from their level at the end of August 2015.

Table 1
Summary statement of transactions
$ millions

	August		April to August	
	2015	2016	2015–16	2016–17
Budgetary transactions				
Revenues	22,184	22,898	119,354	117,789
Expenses				
Program expenses	-22,035	-23,388	-104,665	-112,500
Public debt charges	-2,487	-2,196	-11,867	-10,734
Budgetary balance (deficit/surplus)	-2,338	-2,686	2,822	-5,445
Non-budgetary transactions	3,029	945	-16,371	-13,654
Financial source/requirement	691	-1,741	-13,549	-19,099
Net change in financing activities	-2,161	-2,142	22,353	24,676
Net change in cash balances	-1,470	-3,883	8,804	5,577
Cash balance at end of period			36,756	43,421

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	August			April to August		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	11,653	10,962	-5.9	55,970	56,149	0.3
Corporate income tax	2,089	2,865	37.1	15,227	15,487	1.7
Non-resident income tax	568	551	-3.0	2,445	2,371	-3.0
Total income tax	14,310	14,378	0.5	73,642	74,007	0.5
Excise taxes and duties						
Goods and Services Tax	2,754	2,794	1.5	14,854	14,341	-3.5
Energy taxes	484	671	38.6	2,336	2,246	-3.9
Customs import duties	494	512	3.6	2,227	2,237	0.4
Other excise taxes and duties	537	528	-1.7	2,579	2,536	-1.7
Total excise taxes and duties	4,269	4,505	5.5	21,996	21,360	-2.9
Total tax revenues	18,579	18,883	1.6	95,638	95,367	-0.3
Employment Insurance premiums	1,568	1,598	1.9	10,378	10,550	1.7
Other revenues	2,037	2,417	18.7	13,338	11,872	-11.0
Total revenues	22,184	22,898	3.2	119,354	117,789	-1.3

Note: Totals may not add due to rounding.

Table 3
Expenses

	August			April to August		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,698	3,941	6.6	18,670	19,606	5.0
Employment Insurance benefits	1,847	2,008	8.7	8,013	8,477	5.8
Children's benefits	1,486	1,926	29.6	7,453	8,356	12.1
Total	7,031	7,875	12.0	34,136	36,439	6.7
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	14,178	15,028	6.0
Canada Social Transfer	1,080	1,112	3.0	5,400	5,562	3.0
Total	3,916	4,118	5.2	19,578	20,590	5.2
Fiscal arrangements and other transfers	1,687	1,797	6.5	9,108	9,417	3.4
Canada's cities and communities	0	0	n/a	979	1,036	5.8
Quebec Abatement	-384	-381	-0.8	-1,922	-1,907	-0.8
Total	5,219	5,534	6.0	27,743	29,136	5.0
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	108	96	-11.1	355	302	-14.9
Employment and Social Development Canada	341	453	32.8	2,139	2,234	4.4
Global Affairs Canada	139	175	25.9	800	1,127	40.9
Health Canada	80	64	-20.0	1,260	1,346	6.8
Indigenous and Northern Affairs Canada	546	559	2.4	2,688	2,942	9.4
Innovation, Science and Economic Development Canada	246	285	15.9	953	1,120	17.5

Other	728	665	-8.7	3,646	4,904	34.5
Total	2,188	2,297	5.0	11,841	13,975	18.0
Other direct program expenses						
Crown corporations	708	667	-5.8	3,352	3,723	11.1
National Defence	2,460	2,370	-3.7	8,809	9,534	8.2
All other departments and agencies	4,429	4,645	4.9	18,784	19,693	4.8
Total other direct program expenses	7,597	7,682	1.1	30,945	32,950	6.5
Total direct program expenses	9,785	9,979	2.0	42,786	46,925	9.7
Total program expenses	22,035	23,388	6.1	104,665	112,500	7.5
Public debt charges	2,487	2,196	-11.7	11,867	10,734	-9.5
Total expenses	24,522	25,584	4.3	116,532	123,234	5.8

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	August		April to August	
	2015	**2016**	**2015–16**	**2016–17**
Budgetary balance (deficit/surplus)	-2,338	-2,686	2,822	-5,445
Non-budgetary transactions				
Capital investment activities	-274	-421	-1,375	-1,182
Other investing activities	-268	-464	-1,156	-3,212
Pension and other accounts	1,515	1,455	1,862	2,885
Other activities				
Accounts payable, receivables, accruals and allowances	3,442	1,911	-13,411	-10,436
Foreign exchange activities	-1,753	-1,879	-4,148	-3,264
Amortization of tangible capital assets	367	343	1,857	1,555
Total other activities	2,056	375	-15,702	-12,145
Total non-budgetary transactions	3,029	945	-16,371	-13,654
Financial source/requirement	691	-1,741	-13,549	-19,099

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	August		April to August	
	2015	**2016**	**2015–16**	**2016–17**
Financial source/requirement	691	-1,741	-13,549	-19,099
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-3,478	-1,949	4,282	11,284
Treasury bills	200	-1,100	11,400	12,000
Retail debt	-22	14	-101	103
Total	-3,300	-3,035	15,581	23,387
Foreign currency borrowings	528	634	3,483	1,092
Total	-2,772	-2,401	19,064	24,479
Cross-currency swap revaluation	613	244	3,024	-255
Unamortized discounts and premiums on market debt	13	31	384	575
Obligations related to capital leases and other unmatured debt	-15	-16	-119	-123
Net change in financing activities	-2,161	-2,142	22,353	24,676
Change in cash balance	-1,470	-3,883	8,804	5,577

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	August 31, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	110,791	-17,062
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	515,352	11,284
Treasury bills	138,100	150,100	12,000
Retail debt	5,076	5,179	103
Subtotal	647,244	670,631	23,387
Payable in foreign currencies	22,482	23,574	1,092
Cross-currency swap revaluation	8,391	8,136	-255
Unamortized discounts and premiums on market debt	5,047	5,622	575
Obligations related to capital leases and other unmatured debt	5,047	4,924	-123
Total unmatured debt	688,211	712,887	24,676
Pension and other liabilities			
Public sector pensions	152,227	151,816	-411
Other employee and veteran future benefits	85,681	88,886	3,205
Other liabilities	5,602	5,693	91
Total pension and other liabilities	243,510	246,395	2,885
Total interest-bearing debt	931,721	959,282	27,561
Total liabilities	1,059,574	1,070,073	10,499
Financial assets			

Cash and accounts receivable	154,688	153,639	-1,049
Foreign exchange accounts	93,539	96,803	3,264
Loans, investments, and advances (net of allowances)[1]	115,957	118,228	2,271
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	370,309	4,486
Net debt	693,751	699,764	6,013
Non-financial assets	77,765	77,392	-373
Federal debt (accumulated deficit)	615,986	622,372	6,386

Note: Totals may not add due to rounding.

[1] August 31, 2016 amount includes $0.9 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to August 2016 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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